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# HARVARD LAW REVIEW

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CONTROL OF PATENTEE OVER UNPATENTED COMMODITIES. — That a patentee may control the market in unpatented commodities to some extent, the Supreme Court recently decided<sup>1</sup> by holding valid a restriction that patented mimeographs sold, be used only with supplies of the patentee's production. *Henry v. A. B. Dick Co.*, U. S. Sup. Ct., March 11, 1912.

Can a patentee sell a patented article, passing complete title, and restrict its use thereafter? The patent statute does not give such right expressly.<sup>2</sup> So this is a question of statutory construction.<sup>3</sup> Though the danger that the patentee will establish a monopoly in unpatented commodities, illegal under the Anti-Trust Act, is no argument for holding every restriction void, since such restrictions would be void in any event, the possibility of harsh conditions for purchasing unpatented articles, though in themselves lawful under the Anti-Trust Act, might lead to denying altogether the right to impose conditions. The common law, moreover, is prejudiced against restraints on the alienation of chattels.<sup>4</sup> No property interests in them can be reserved to the seller who passes

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<sup>1</sup> Affirming 149 Fed. 424. The case follows a long line of lower federal-court decisions. The leading case is *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 77 Fed. 288. But the question was considered open in the Supreme Court. See *Courtelyou v. Johnson & Co.*, 207 U. S. 196, 28 Sup. Ct. 105; *Bobbs-Merrill Co. v. Straus*, 210 U. S. 339, 346, 28 Sup. Ct. 722, 724.

<sup>2</sup> U. S. COMP. STAT., 1901, § 4884, gives the patentee "the exclusive right to make, use, and vend the invention or discovery."

<sup>3</sup> This makes a case for federal jurisdiction, since the suit was for infringement. *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U. S. 282, 22 Sup. Ct. 681.

<sup>4</sup> See *Park & Sons Co. v. Hartman*, 153 Fed. 24, 39. But see 17 HARV. L. REV. 416.

title and possession.<sup>5</sup> Covenants,<sup>6</sup> and equitable servitudes<sup>7</sup> do not run with chattels. So the copyright statute,<sup>8</sup> was strictly construed, and the copyright-holder cannot fix prices of books he has once sold.<sup>9</sup> The language in some cases would justify similar strict construction of the patent statute.<sup>10</sup> But the patentee is given three distinct exclusive rights.<sup>11</sup> None may make, or use, or vend the invention without his permission. He need not use, nor permit others to use.<sup>12</sup> He may grant permission on the most fanciful terms,<sup>13</sup> to one to make only, another to use only,<sup>14</sup> another solely to vend.<sup>15</sup> Of course, in the ordinary sale, permission to use is implied.<sup>16</sup> This permission, however, and not the passing of title "takes the article out of the patent monopoly." That the user has title is immaterial. The defiant infringer has title to the machine which he constructs. So if the patentee expressly conditions his permission when he sells, user in excess of permission must constitute infringement.<sup>17</sup> The principal case reaffirms that the patentee's rights to exclude are separable.

But the validity of the actual condition imposed is a distinct question. Obviously, the patentee may not impose any condition whatever, such as committing murder. The patent statute gives only the right to exclude others from "making, using, and vending the invention." It gives no right to sell the article, or to make contracts concerning it. These rights the patentee already had. The validity of his contracts then, and the conditions which he imposes, are subject to the law of the land.<sup>18</sup> Thus,

<sup>5</sup> See BENJAMIN, SALES, 6 ed., 746.

<sup>6</sup> *Smith v. Williams*, 117 Ga. 782, 45 S. E. 394.

<sup>7</sup> *Dr. Miles Medical Co. v. Park & Sons Co.*, 220 U. S. 373, 31 Sup. Ct. 376; *Garst v. Hall & Lyon Co.*, 179 Mass. 588, 61 N. E. 619.

<sup>8</sup> U. S. COMP. STAT., 1901, § 4952, gives "the author the sole liberty of printing, reprinting . . . and vending."

<sup>9</sup> *Bobbs-Merrill Co. v. Straus*, *supra*. The right to vend was held to be tied up in and incidental to the right to multiply copies.

<sup>10</sup> See *Keeler v. Standard Folding-Bed Co.*, 157 U. S. 659, 666, 15 Sup. Ct. 738, 741; *Bloomer v. McQuewan*, 14 How. (U. S.) 539, 549.

<sup>11</sup> See *Adams v. Burke*, 17 Wall. (U. S.) 453, 456.

<sup>12</sup> *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S. 405, 28 Sup. Ct. 748. This seems a defect in our present law. That the invention will be made of some immediate benefit to the public should be a condition in the patent grant. In England, licenses on reasonable terms are made compulsory. PATENTS AND DESIGNS ACT, 1907 (7 EDW. 7, c. 29), § 24 (3).

<sup>13</sup> See *Rubber Tire Wheel Co. v. Milwaukee Rubber Works Co.*, 154 Fed. 358, 362.

<sup>14</sup> *Rubber Co. v. Goodyear*, 9 Wall. (U. S.) 788.

<sup>15</sup> See ROBINSON, PATENTS, § 813; WALKER, PATENTS, 4 ed., § 296.

<sup>16</sup> *Hartshorn v. Day*, 19 How. (U. S.) 211; *Bloomer v. McQuewan*, *supra*. Even where the licensee, authorized to make unconditional sales, may sell in one state only, the purchaser gets full permission to use and vend in other states reserved to the patentee and assigned to another. *Adams v. Burke*, *supra*; *Keeler v. Standard Folding Bed Co.*, *supra*. But an unconditional sale in a foreign country gives the purchaser no permission to use in this country. *Boesch v. Gräff*, 133 U. S. 697, 10 Sup. Ct. 378. Or to vend. *Daimler Mfg. Co. v. Conklin*, 170 Fed. 70, *certiorari* denied, 30 Sup. Ct. 575.

<sup>17</sup> *Mitchell v. Hawley*, 16 Wall. (U. S.) 544, is a precise precedent for the holding in the principal case on this point. The restraint on alienation thus involved is not an equitable servitude running with the chattel. The patentee claims no property right in it. Simply, no chattel embodying the invention can be used without permission, whether purchased from the patentee or not. Moreover, the objection to restraint on the alienation of the patented chattel could be easily avoided by conditional sales, or leases.

<sup>18</sup> See *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, *supra*, 293.

the state in exercising police power may require the contract to be recorded.<sup>19</sup> Similarly, if the patentee makes an unconscionable bargain it will not be enforced.<sup>20</sup> The question here is, whether under the general law of restraint of trade the contracts, excluding competition in unpatented supplies, are illegal; not whether restrictions on use of patented articles may be imposed. By no possible construction of the patent right to exclude others from the invention, can an illegal monopoly in ordinary commodities be justified.<sup>21</sup> The principal case, then, is a holding that the monopoly in the unpatented supplies was reasonable.

What is a monopoly that restrains trade unduly, is yet to be determined by the cases. The principal case presents a phase of the mooted problem whether monopoly maintained without unfair exclusion of competitors is lawful.<sup>22</sup> A single contract to buy supplies from one only is lawful.<sup>23</sup> But if the supplies are suitable for use only with mimeographs, a system of contracts with all mimeograph users monopolizes that market.<sup>24</sup> The public injury, a question of degree for each case, is the first consideration in determining whether the monopoly is reasonable.<sup>25</sup> The public as buyers are said not to be affected, for they need not buy if the price becomes too high. Any trade which the public as sellers had before the patent may now be as untrammelled as ever. The question, in light most favorable to the patentee, reduces to whether the public is entitled to competition in a market which the patentee alone created. The recent proprietary medicine cases, where the maker created his own market, answered that that was no excuse for thereafter controlling it.<sup>26</sup> The general monopoly control, the stifling of potential competition of cheaper and better supplies, for no better reason than the power to do so, seems to be the objectionable feature.<sup>27</sup>

<sup>19</sup> *Allen v. Riley*, 203 U. S. 347, 27 Sup. Ct. 95.

<sup>20</sup> *Pope Mfg. Co. v. Gormully*, 144 U. S. 224, 12 Sup. Ct. 632. Elements of a hard bargain led the minority in the principal case to think it should be placed under this doctrine.

<sup>21</sup> *United States v. Standard Sanitary Mfg. Co.*, 191 Fed. 172. See 25 HARV. L. REV. 454.

<sup>22</sup> See 25 HARV. L. REV. 73. Holmes, J., thought the essence of monopoly was unlawful exclusion of competition by a combination. See *Northern Securities Co. v. United States*, 193 U. S. 197, 409, 24 Sup. Ct. 436, 471.

<sup>23</sup> *Garden City Sand Co. v. Lanyon*, 223 Ill. 616, 79 N. E. 313; *Ferris v. American Brewing Co.*, 155 Ind. 539, 58 N. E. 701. But if designed to monopolize, the contract is invalid. *Bárataria Canning Co. v. Joulain*, 80 Miss. 555, 31 So. 961. Similarly, though one restriction on the use of land sold that it be not used for liquor selling is reasonable, if it tends toward monopoly, it is invalid. *Burdell v. Grandi*, 152 Cal. 376, 92 Pac. 1022; *Chippewa Lumber Co. v. Tremper*, 75 Mich. 36, 42 N. W. 532.

<sup>24</sup> If the supplies are not of special kind, a closer case seems presented, for then total monopoly is not built up. But the chief dissent in the lower federal courts from the doctrine of the *Button-Fastener* case, *supra*, came in declining to apply it to ordinary commodities. *Cortelyou v. Johnson & Co.*, 145 Fed. 933.

<sup>25</sup> See *Dr. Miles Medical Co. v. Park & Sons Co.*, 220 U. S. 373, 406, 31 Sup. Ct. 376, 384; *United States v. Standard Oil Co.*, 221 U. S. 1, 60, 31 Sup. Ct. 502, 516.

<sup>26</sup> *Dr. Miles Medical Co. v. Park & Sons Co.*, *supra*; *Hill Co. v. Gray & Worcester*, 163 Mich. 12, 127 N. W. 803. Cases *contra* in the federal courts had gone on the ground that the public was just as well off as before the proprietary medicines were produced. *Dr. Miles Medical Co. v. Platt*, 142 Fed. 606. That the article is not of prime necessity does not make the restraint reasonable. *Nester v. Continental Brewing Co.*, 161 Pa. St. 473, 29 Atl. 102. Nor that the amount of trade restrained is small as compared with the total trade. *Montague & Co. v. Lowry*, 193 U. S. 38, 24 Sup. Ct. 307.

<sup>27</sup> See *Addyston Pipe & Steel Co. v. United States*, 85 Fed. 271, 282, *aff'd* in 175 U. S.